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Imports of Wool From South America Increase

The present enormous demand for wool for army uniforms is absorbing the supplies of the three great primary markets — Europe, Australasia, and South America. With Great Britain in control of English and Australasian wool, the attention of manufacturers in the United States is centred on South American sources, says a report issued from the local office of the Bureau of Foreign and Domestic Commerce. In the years just preceding the European war the average yearly imports of clothing wool from South America were about 25,000,000 pounds, from Europe 30,000,000 pounds, and from Australasia 13,000,000 pounds. Beginning with 1914 the imports of wool from all sources greatly increased, the gain in wool imports from South America being unprecedented. In 1914 the imports of clothing wool from South America were 38,697,428 pounds; in 1915 this figure was more than trebled, in 1916 it was quadrupled, and in 1917 the imports were more than six times pre-war records. The 1918 clip promises to equal, if not to exceed, the last.

Finance - Economics

WALL STREET OFFICE: Mills Building, 15 Broad St. Telephone: Hanover 6514

The era of better feeling ushered in by the announcement that the government would take over control of the country's railways continued during the past week to impart a tone of underlying firmness to the security markets. Prices of leading stocks advanced to the highest levels reached since the late decline and improvement was also registered in the bond market. Gains were not entirely maintained owing to heavy profit-taking sales which caused substantial reactions, but on the whole the performance of the securities markets was conducive to optimism. Ranking in almost equal importance with the taking over of the railroads, from the Wall Street point of view, was the move of the Department of Justice toward postponing argument of the anti-trust suits pending against the United States Steel Corporation, International Harvester, American Can and other corporations. This was accepted as another indication that Washington has come to a realization of the urgent need of industrial and financial coöperation of the business interests of the country if the United States is to put its full strength into the war. President Wilson made it clear in his message to Congress on Friday in connection with his recommendations for special railroad legislation that it is of the utmost consequence to the government itself as well as to industry and finance that all great financial operations should be stabilized and coördinated with the financial operations of the government; that no fundamental industrial values should anywhere be unnecessarily impaired. The war news played only a minor part in the week's movement of security prices.

The trend of bond prices last week was mainly upward, in response to the more hopeful feeling discernible in investment circles. At the close of the week the market quotations for the general run of bonds ranged from 3 to 10 points above the low record levels touched when the 1917 decline reached its climax in December. Perhaps the most important development in the investment market was the sale to a syndicate of $40,000,000 of one-year notes of the American Telephone and Telegraph Company, which are being offered to investors on a 7 per cent income basis. The fact that a corporation of this standing should have to pay such a high figure for fresh funds is illustrative of the condition now existing in the capital market. It is not to be expected that much new private financing will be undertaken when such stiff rates for capital prevail. Private borrowers are competing with the huge war demands of the government and must pay the penalty. Few of them care to do so.

In the money market there have been indications of an easier position following the completion of the large first of the year payments. At the Stock Exchange call money loaned toward the close of the week at 2¾ per cent, the lowest rate in several weeks, reflecting the return to the market of funds that had temporarily been withheld in connection with the usual January 1 corporation disbursements. Banks are continuing, however, to restrict their offerings of money for fixed periods, and rates in this department were firmly maintained throughout the week at 5¾ to 6 per cent for all maturities. The same situation prevailed in the commercial paper market, where prime bills were quoted unchanged from the rates of the preceding weeks. The weekly statement of the banks showed a reduction of about 50 per cent in the cash surplus, while loans contracted less than $2,000,000. The next and final instalment of 40 per cent on the second Liberty Loan subscription is due on January 15, but this is not expected to have much effect on the local money situation in as much as a large portion of the loan subscription has already been paid for in full. The government continues to offer 4 per cent certificates of indebtedness maturing June 25, the special object of the issue being to provide taxpayers with a means of meeting their Federal taxes in advance of the day on which they become due, June 15, thus avoiding the severe strain on the currency system which would result from the simultaneous payment of all these taxes, amounting to more than $2,000,000,000.

New Haven Road Operated at Loss During November

Gross income of the New York, New Haven & Hartford Railroad for November was $1,635,558, while deductions for interest, rentals, etc., amounted to $1,768,335, leaving a deficit for the month of $132,777. There was a gain of $338,559 in operating revenues, but expenses increased $946,813. The total for the month, compared with those for November, 1916, follow:

	1917.	1916.
Operating revenues...	$7,179,337	$6,840,773
Operating expenses, taxes, etc.	5,710,135	4,763,322
Operating income.....	$1,469,201	$2,077,456
Non-operating income.	166,356	144,273
Gross income	$1,635,558	$2,221,729
Deductions—interest, rentals, etc.	1,768,335	1,649,198
Net corporate income	*$132,777	$572,531

*Deficit.

For the eleven months ended November 30 the figures compared as follows:

	1917.	1916.
Operating revenues...	$78,823,275	$73,639,984
Operating expenses, taxes, etc.	59,225,849	52,377,306
Operating income..	$19,597,425	$21,262,677
Non-operating income.	2,290,929	2,483,647
Gross income	$21,888,355	$23,746,325
Deductions—interest, rentals, etc.	19,367,187	19,096,397
Net corporate income	$2,521,167	$4,649,927

The following summary shows the net corporate income of the New York, New Haven & Hartford Railroad Company, Central New England Railway Company and other separately operated companies for the month of November, compared with figures for November, 1916:

	Month of Nov. 1917.	1916.
New York, New Haven & Hartford R. R. Co.....	*$132,777	$572,531
Central New England Ry. Co.	*910	50,747
New York, Ontario & Western Ry. Co., N. Y., N. H. & H. R. R. Co. interest—50.1 per cent..	*2,703	5,472
New England Steamship Co.	*50,990	*33,472
Hartford & New York Transportation Co.	7,796	9,291
New Bedford, Martha's Vineyard & Nantucket Steamboat Co.	*5,174	1,398
Connecticut Co.	3,327	49,557
Rhode Island Co........	*195,941	*14,499
Berkshire Street Railway System	*41,764	*19,277
New York & Stamford R. R. Co.	*7,239	*7,659
Westchester Street R. R. Co.	*8,410	*5,138
New York, Westchester & Boston Ry. Co........	*7,362	*266
Totals	*$442,149	$608,684

*Deficit.

Large Issues of Currency Notes, Cause Inflation

English Writer Calls Attention to Dangers of Expanded Circulation

By Sir R. H. Inglis Palgrave, F. R. S.

(From an article in The Bankers Magazine, of London.)

CURRENCY notes have continued to be issued very largely. The amount issued, which was about £107,000,000 in April, 1916, had become about £145,000,000 in April, 1917, and at the date of writing, November 14, 1917, the issue is nearly £190,000,000. Arranged in tabular form the figures appear thus:

		Increase per cent. 1916=100.
April, 1916.......	£107,000,000	—
April, 1917.......	145,000,000	35
November, 1917..	189,900,000	77

This is practically three times as large as the estimate made by the Mint of the gold in circulation in 1903, which was no more than £63,500,000. The Mint authorities were led to infer from the result of the investigation then made that the gold circulating in this country was not rapidly increasing, and though the amount in August, 1914, when the currency notes began to be issued, was doubtless larger than in 1903, it probably was not very much larger.

Currency Expansion Not Favored

The habits of English people do not naturally favor any large increase in the circulating medium; the tendency is in favor of opening small accounts with their bankers, and the number of small checks on those accounts also tends to increase. The increase of small checks, for a few shillings, as compared with those drawn ten or fifteen years back, is remarkable, and we are informed on the best authority that the practice of drawing small checks is general. The use of checks to a certain extent takes the place of the circulation of specie and of currency notes, but checks can hardly exercise the same influence in the "inflation" of the circulating medium as notes do. Each check is drawn for a separate and special purpose. It is a most unusual thing for a check to be employed by the drawee for the payment of any other debt besides that obligation to meet which it was issued; it is almost always presented immediately to the banker on whom it is drawn, and therewith its circulation ends. It is very different with the note, and especially with the practically inconvertible note, among which class we must include the currency note. A really convertible note when the holder needs it no longer makes its way back to the office whence it was issued, is paid in coin, and remains there till it is paid out again. But there is no similar pause in the circulation of the inconvertible note.

There is no sign in our active trade that there is any real need for the increase in the circulating medium we have chronicled, from some £63,000,000 to £190,000,000. We are clearly suffering from an excessive issue of paper. Convertible notes and convertible money generally may lose the quality of convertibility or possess it only to a limited extent, and thus become inconvertible through difficulties being imposed on the obtaining coin in payment for the notes. The question to be solved is, how to regulate the quantity of the paper circulation so as to keep its value identical with the value of the metallic currency.

Real convertibility, that is to say the means of obtaining specie for notes whenever required, appears to be the only means available for obtaining this.

Position of Currency Notes

Now, what is the position of our currency notes? It is true that the notes are paid in specie, but this does not render the great mass of notes convertible at the moment, though no one can doubt that all will be paid in full eventually. There is always a very great risk in issuing inconvertible paper money, because there is little or no check on the amount in circulation. Especially is this true of paper put out by the government. Not the want of trade, but the exigencies of the treasury, are apt to determine the amount of issues, and whenever such issues take place in excess of the wants of trade they almost invariably go from bad to worse. Prices become inflated, speculation sets in, and there is often both a popular and a fiscal demand for still larger issues to sustain the inflated prices.

This appears exactly to describe what we are going through now. The issue of currency notes continues to increase. Prices are rising all round, the only exceptions being in the price of cereals, wheat and of minerals in August, 1917. Cereals, owing to the action of the Food Controller, dropped slightly in that month. Minerals also dropped slightly, probably also through official influence.

"But even in cases where, through exceptional prudence and courage on the part of the government, paper is not issued in excess," says "The Dictionary of Political Economy," "very considerable evils may yet be produced by the use of such money. During the suspension of specie payments by the Bank of France, from 1871 to 1877, the premium on gold was, by the remarkable sagacity of the directors, kept at a very low figure, almost vanishing at every favorable turn of trade. Yet even this was not without momentous consequences to the commerce of that country.

Other Dangers Cited

"In his valuable work, 'Lombard Street,' published at about the close of that period, Mr. Bagehot remarked: 'The note of the Bank of France has not, indeed, been depreciated enough to disorder ordinary transactions. But any depreciation, however small, even the liability to depreciation without its reality, is enough to disorder exchange transactions. They are calculated to such an extent of fineness that the change of a decimal may be fatal, and may turn a profit into a loss. Accordingly, London has become the sole great settling house of exchange transactions in Europe, instead of being, as formerly, one of two.'"

There are other dangers to our well-being we have to remind our readers besides the rise in prices which are involved in the present over-issue of currency notes. The quotation we have given above from Bagehot's "Lombard Street" shows the loss to France which was experienced between 1871 and 1877 through a scarcely appreciable over-issue of paper. We appear to be exposed to a similar danger in England from a similar cause. The absence of the indirect control provided by gold (which may be said to be practically in suspense for the time being) has already had a certain influence on the rates of exchange.

The question requires careful handling. The cessation of the issue of the 10-shilling notes might be of some service as reducing the amount in circulation, but we think that more drastic measures will be needed. We are aware that the exigencies of war exercise great influence on general prices, and tend to raise them, but the inconveniences caused by an inflated currency meets one at every turn, and present difficulties which forethought in our financial arrangements could overcome without serious difficulty.

Reflexes of War

Wage advances granted in Great Britain during the month of October affected 600,000 workers, and resulted in a total increase of $650,000 a week. The principal changes reported included the bonus of 12½ per cent granted to skilled engineers and iron founders employed at time rates on munitions work throughout the United Kingdom, and the further increases to woollen and worsted operatives in Yorkshire, by which the wages of piece workers in the weaving branch were raised 48 to 51 per cent above pre-war rates and those of other operatives to 60 per cent above pre-war rates. The following table, compiled by "The Labor Gazette," of London, shows the wage changes in the various groups, with the number affected and the amount of increase in 1917 from January to October, inclusive:

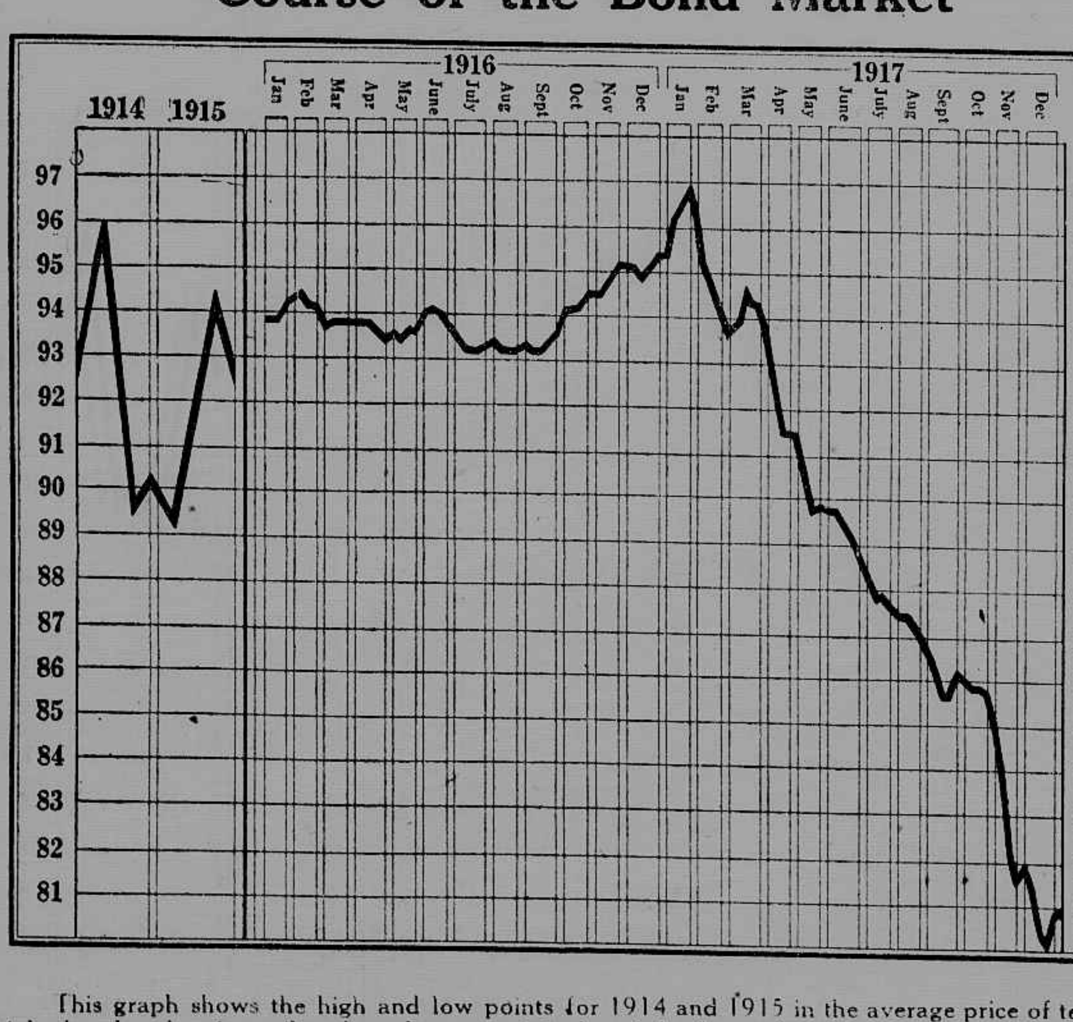
Groups of trades.	No. of workpeople affected.	Am't of net increase per week.
Building	205,000	£67,600
Coal mining........	1,008,000	473,100
Iron and other mining	25,500	12,500
Quarrying	10,500	3,300
Pig iron manufacture.	22,000	5,600
Iron and steel manufacture	92,000	21,500
Engineering and shipbuilding	1,023,000	434,800
Other metal........	200,000	72,500
Textile	824,000	149,700
Clothing	171,000	31,600
Transport	174,000	60,400
Printing, paper, etc...	83,000	18,400
Glass, brick, pottery, chemicals, etc......	164,000	34,400
Other trades........	182,000	45,600
Local authority services	82,000	17,600
Totals	4,266,000	£1,448,600

The Siamese Government Gazette announces the registration on October 8, 1917, of a new Siamese shipping company under the name of the "Borisat Panich Navi Siam (Ltd.)," with a nominal capital of 1,000,000 ticals ($370,000 in shares of 100 ticals ($37). Among the promoters of the company are Siamese princes, noblemen and officials. This company will take over two of the German steamships and one steam lighter that were recently seized and condemned as prizes by the Siamese Prize Court.

Canadian Restrictions on Dealings in Securities

In order to conserve the domestic investment market for the purpose of facilitating financial operations connected with the war, regulations have been embodied in a Canadian order in council of December 22, 1917, which prohibits all issues, purchases, sales other transactions, based upon a money consideration, involving securities issued after the date of the order. The prohibition, according to "The Canada Gazette," applies to all bonds, debentures, stocks and other securities evidencing an obligation to repay money borrowed, which may be issued hereafter by any provincial, colonial or foreign government, municipality, commission, local government, institution, corporation or incorporated company. No restriction is placed, however, on transactions in securities that are issued or placed on the market with the approval of the Minister of Finance, evidenced by his certificate of approval in writing. Any attempt to issue or sell stocks or bonds in violation of these regulations may be restrained in legal proceedings brought by the Attorney General, and persons engaging in such transactions without having first secured the requisite certificate of approval are liable to heavy fines or imprisonment.

Course of the Bond Market



This graph shows the high and low points for 1914 and 1915 in the average price of ten very high class bonds, nine railroads and one municipal, and the fluctuations from January, 1916, to date.

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Condensed Statement, December 31, 1917

RESOURCES

Real Estate (140 Broadway, 66 Liberty Street, 25 East 60th Street)	$5,000,000.00
Bonds and Mortgages	1,644,600.00
U. S. Government Certificates of Indebtedness	5,631,500.00
Liberty Bonds	22,198,734.62
Public Securities	36,457,920.10
Other Securities	56,825,066.03
Loans and Bills Purchased	308,291,315.43
Cash—On Hand and in Banks	75,199,801.21
Exchanges for Clearing House	34,226,703.12
Foreign Exchange	64,361,651.60
Credit Granted on Domestic and Foreign Acceptances	47,625,688.04
Accrued Interest and Accounts Receivable	3,282,315.89
	$660,745,296.04

LIABILITIES

Capital	$25,000,000.00	
Surplus Fund—required by law	5,000,000.00	
Additional Surplus—not required by law	20,000,000.00	$50,000,000.00
Undivided Profits		1,159,905.47
Dividend Payable December 31		1,250,000.00
Outstanding Treasurer's Checks		8,511,330.17
Accrued Interest Payable		1,187,690.44
Reserve for Taxes and Expenses		222,845.93
Foreign Accounts		4,943,565.17
Domestic and Foreign Acceptances		47,625,688.04
Notes and Bills Rediscounted with Federal Reserve Bank		11,562,295.32
Deposits		534,281,975.50
		$660,745,296.04

Drilling in Oil Fields Delayed by Severe Weather

Fewer New Wells Completed in December and Production Falls

A large decrease in the number of wells completed, with a small falling off in new production and an increase in the amount of new work under way at the close of the month, are outstanding features of the December report of activities in the oil fields, compiled by "The Oil City Derrick." Operators were caught unprepared by the unusually cold weather of last month, with the result that work was forced to suspend in nearly every field. Besides low temperatures, drouth was an added handicap in most of the Western fields. The Christmas holidays and labor troubles resulted in further lessening of activity in many sections.

463 Fewer Completions

The total of completions for the month was 1,723, or 463 less than in November. With the exception of the Gulf Coast and North Louisiana, every division reported fewer wells completed, and the gain in these two was only nine. The new production amounted to 80,835 barrels, or 5,950 barrels less than in the previous report. The divisions credited with increases were Indiana, Texas Panhandle, North Louisiana and Gulf Coast.

The Mid-Continent division was more affected by the cold spell than others, because of the large area covered by pioneer ventures. The cessation of work will not last beyond the present cold spell, as the operators are anxious to get as many wells completed as possible. This is shown by an increase of 170 in new work at the close of the month, when there were 1,290 rigs and 3,618 drilling wells, or a total of 4,908. The larger gain in work under way is reported from Oklahoma, but Kentucky, Texas Panhandle and Gulf Coast also showed additions.

Most Failures in Oklahoma

Among the completions were 407 dry holes, or 55 less than in November, and 139 gas wells, an increase of 39. More than 50 per cent of the failures came from Oklahoma and Kansas, while the Gulf Coast had 40 out of 85 completions. Subtracting the failures and gas wells from the total leaves 1,177 productive oil wells. This is the smallest number reported this year. In November the total was 1,524; October, 1,731, and in September, 1,371. In August the number was 1,302, while in July and June it was, respectively, 1,409 and 1,407.

The only change in crude oil quotations during December was for the grades posted under the head of Pennsylvania. This was a 25-cent advance for the high grade oil to $3.75, and of 20 cents for Corning, 15 cents for Cabell and Somerset, and 10 cents on Ragland crude.

Consolidation of German Banks

In common with other German organizations, the banks, especially the large ones, are tending to combine. In the early part of this year the Deutsche Bank absorbed the Schlesische Bank Verein and the Norddeutsche Gesellschaft, thus increasing its capital from 250 to 275 million marks; the Dresdner Bank recently absorbed the Rheinisch-Westfälische Disconto-Gesellschaft, increasing its capital from 200 to 260 million marks, and latterly the Disconto-Gesellschaft has absorbed the Magdeburger Bank Verein and four other provincial banks, increasing its capital from 300 to 310 million marks.

German newspapers uniformly report great prosperity among the banks. They appear to think the bank business has been considerably simplified by consolidation of transactions which are mostly with the government or government committees. Notwithstanding larger actual profits the banks appear to keep their dividends about the same as before the war, the Deutsche Bank paying 12⅓ per cent, the Disconto-Gesellschaft 10 per cent, and the Dresdner Bank 8½ per cent.—*Consular Report.*

N. Y. Agricultural Society To Meet January 15 and 16

ALBANY, Jan. 6.—The New York State Agricultural Society will hold its eighty-sixth annual meeting, in coöperation with the Farms and Markets Council and the State Food Commission, in the Assembly parlor, at the Capitol, on Tuesday and Wednesday, Janary 15 and 16, next.

Governor Whitman is expected to address the society in the Senate Chamber Tuesday evening. Dr. H. C. Culbertson, one of Herbert C. Hoover's assistants, will also speak. Senator Henry M. Sage will tell of the state dependents in the various institutions, and his address will be illustrated by a series of lantern slides showing the activities on the farms of the various state institutions.

The Motors

Did you notice the advance in motor stocks during the past week?

The publication of the DOW, JONES & CO. descriptive and analytical articles on "THE MOTOR INDUSTRY IN WAR" began Monday last, December 31.

Future articles in the series on the automobile industry review the motor output of American companies in recent years, and analyze individually the financial and trade position of the leading motor car manufacturers.

The fourth article in the series will appear on the DOW, JONES & CO. BULLETINS AND TICKERS MONDAY, JANUARY 7, and follow in THE WALL STREET JOURNAL.

In view of the many changes in security values incident to the war, this is the time when shareholders should keep posted daily.

The facilities of Dow, Jones & Co. as gatherers of news and distributors of information for investors are unequalled.

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CENTRAL PACIFIC RAILWAY COMPANY
Three and One-Half Per Cent. Mortgage Bonds.

Notice is hereby given that, pursuant to the provisions of Article Nine of the mortgage from this Company to the United States Trust Company of New York, Trustee, dated August 1, 1899, this Company has set apart out of the net income derived by it from the lines of railroad therein mortgaged the sum of Twenty-five thousand dollars in trust to be used to redeem said bonds, and that bonds issued under said mortgage will be redeemed therewith. Bids are hereby invited for the surrender of such bonds at prices to be named by the bidders, to the amount of $25,300.13 in the Sinking Fund.

Such bids should be presented to this Company at its office, 165 Broadway, in the City of New York, on or before the 5th day of February, 1918, at twelve o'clock noon, and should be endorsed "Bids for Surrender of Central Pacific Railway Company Three and One-Half Per Cent. Bonds."

CENTRAL PACIFIC RAILWAY CO.
By WM. F. HERRIN, President.
Dated January 7, 1918.

LIGGETT & MYERS TOBACCO CO.
ST. LOUIS, MO., JANUARY 2nd, 1918.
The Transfer Books of the Registered 5% bonds of LIGGETT & MYERS TOBACCO COMPANY will close at 3 o'clock P. M., January 15th, 1918, for the payment of interest on said bonds, due February 1st, 1918, and will re-open at 10 o'clock A. M., February 2nd, 1918.
T. T. ANDERSON, Treasurer.